

## Message Text

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ACTION EB-07

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E.O. 11652: N/A

TAGS: EIND, ETRD, PK

SUBJ: GOP ANALYSIS OF TEXTILE INDUSTRY

REF: KARACHI 2192

1. SUMMARY. IN RESPONSE TO QUESTION FROM OPPOSITION IN THE SENATE, GOP MINISTER FOR PRODUCTION AND INDUSTRY PROVIDED LENGTHY SUMMARY OF PRESENT SITUATION IN TEXTILE INDUSTRY DEC. 6. HE INDICATED INDUSTRY PICKING UP FROM VERY SERIOUS PROBLEMS CAUSED BY WORLD TEXTILE RECESSION: THAT QUANTITY OF COTTON REMAINING UNSOLD FROM LAST YEAR NOW DOWN TO 20,000 BALES: THAT EXPORTS OF BOTH YARN AND CLOTH WERE INCREASING DURING THE PAST TWO MONTHS AND THAT ONLY A VERY SMALL NUMBER OF TEXTILE MILLS ARE EXPERIENCING SERIOUS DIFFICULTIES. END SUMMARY.

2. THE GOP MINISTER FOR PRODUCTION AND INDUSTRY, RAFI RAZA, STATED THAT THE DIFFICULTIES IN THE PAK TEXTILE INDUSTRY WERE A DIRECT RESULT OF WORLD RECESSION IN THE TEXTILE INDUSTRY. HE STATED THAT JAPAN'S TEXTILE INDUSTRY HAD CUT PRODUCTION BY 30 PERCENT WITH TWO OF THE LARGEST SPINNING MILLS GOING INTO BANKRUPTCY. HONG KONG SPINNERS HAVE CUT PRODUCTION BY 50 PERCENT WITH REDUCTIONS ALSO IN SINGAPORE, MALAYSIA, INDONESIA AND THAILAND. INDONESIA

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AND MALAYSIA HAVE PLACED EMBARGOES ON THE IMPORT OF YARN.

HE CLAIMED THAT THE GOP HAS ANTICIPATED WORLD INFLATION AND RECESSION BETTER THAN MOST OTHER COUNTRIES. OF ALL LDCS WITHOUT OIL, HE SAID PAKISTAN HAD THE LOWEST RATE OF INFLATION AND CHEAPEST ESSENTIAL COMMODITIES THANKS TO GOP EFFORTS.

3. MINISTER RAZA DEFENDED THE COTTON EXPORT CORPORATION (CEC) AND STATED THAT IT WAS HERE TO STAY. THE CEC HAS REDUCED THE UNSOLD QUANTITY OF LAST YEAR'S CROP FROM 600,000 BALES TO A LITTLE OVER 200,000 BALES. THE CEC HAS GUARANTEED PURCHASE OF ALL THE OLD CROP REMAINING IN THE COUNTRY.

4. REGARDING TEXTILE INDUSTRY ITSELF, WHICH MANY CLAIM TO BE IN DIRE STRAIGHTS, RAZA SAID THIS WAS EXAGGERATED. OUT OF A TOTAL OF 330,000 SPINDLES, ABOUT 180,000 ARE PART OF COMPOSITE MILLS WHICH ARE EXPERIENCING NO DIFFICULTY. THE REMAINING 150,000 SPINDLES ARE IN MILLS INVOLVED IN SPINNING ONLY. MILLS WITH 30,000 SPINDLES ARE EXPERIENCING SOME DIFFICULTIES. TEN THOUSAND SPINDLES ARE INVOLVED IN MILLS WITH SERIOUS TROUBLE DUE TO OLD MACHINERY AND LACK OF REPLACEMENT DURING A PERIOD OF EASY INTERNATIONAL SALES. AN ADDITIONAL 20,000 SPINDLES ARE EXPERIENCING SOME TEMPORARY DIFFICULTY THROUGH FINANCIAL PROBLEMS. THE GOP, ACCORDING TO RAZA, IS HANDLING THESE FINANCIAL PROBLEMS. (SEE REFTEL, PARA 1D)

5. RAZA QUOTED SOME FIGURES INDICATING AN UP-TURN IN EXPORTS. THE EXPORT OF YARN IN JULY WAS 7.4 MILLION POUNDS; IN AUG. 7.68 MILLION POUNDS; IN SEPT. 19.05 MILLION; IN OCT. 24.49 MILLION AND IN NOVEMBER CONTINUED AT THE SAME RATE AS OCTOBER. IF THE RATE CONTINUES AT THE 25 MILLION POUNDS PER MONTH, THE GOP FEELS THAT IT WILL SOON BE COMPLETELY OUT OF THE WOODS. IN COTTON CLOTH THE SEPTEMBER EXPORT FIGURE WAS 34.8 MILLION SQUARE YARDS: THE OCTOBER FIGURE, 60.79 MILLION AND THE NOVEMBER FIGURE (MINUS THE LAST TWO DAYS OF THE MONTH) WAS 68.4 MILLION SQUARE YARDS.

6. IN SUMMARY, RAZA LAUDED GOP POLICY WITH A FOUR-PART UNCLASSIFIED

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SUCCESS: FIRST, COTTON CLOTH EXPORTS HAVE INCREASED: SECONDLY, YARN EXPORTS ARE AS GOOD AS ANTICIPATED ORIGINALLY: THIRD, LOCAL CLOTH PRICES HAVE NOT INCREASED AND IN FACT MAY HAVE DECREASED SLIGHTLY: AND FOURTH, THE COTTON GROWER IS NOW ASSURED THAT HIS COTTON CROP WILL BE PURCHASED BY THE CEC AT A FIXED, FAIR PRICE.

7. COMMENT. WHILE RAZA'S FIGURES INDICATE A WELCOME

TURNABOUT IN PAKISTAN'S SINGLE MOST IMPORTANT FOREIGN EXCHANGE EARNING INDUSTRY, A FEW CAUTIONARY NOTES MUST BE SOUNDED. THE FIGURES GIVEN SHOWING CEC'S SUCCESS IN SELLING LAST YEAR'S COTTON CROP ARE QUESTIONABLE AS THEY PROBABLY INCLUDE ALL PRELIMINARY SALES AND THE ACTUAL LIFTINGS NEVER MATCH THIS FIGURE. RAZA DID NOT MENTION UNSOLD STOCKS OF YARN OF WHICH A SIGNIFICANT AMOUNT REMAINS AND IS DETERIORATING IN STORAGE. THIS IS THE MAJOR PROBLEM FOR THOSE MILLS RAZA LISTED IN "TEMPORARY DIFFICULTY" AS IT TIES-UP THEIR CAPITAL. FAINALLY, THE EMBASSY'S ROUGH COMPARISON FIGURES COMBINING RAZA'S STATISTICS WITH THOSE FROM THE MONTHLY COTTON REVIEW DO NOT CONFIRM RAZA'S SUMMATION THAT THE EXPORT TRADE IS NEARLY BACK TO LAST YEAR'S NORM. OUR FIGURES, SHOWN IN THE TABLES BELOW, INDICATE VERY GOOD EXPORT PERFORMANCE DURING OCTOBER AND NOVEMBER BUT NOT ENOUGH TO BRING ANNUAL FIGURES CLOSE TO THE PRECEDING YEAR. THESE FIGURES DO CONFIRM CONTINUATION OF THE TREND SPOTTED IN KARACHI REFTEL AND IF SUSTAINED ARE VERY GOOD NEWS FOR PAKISTAN.

#### 8. COTTON YARN (MILLION POUNDS)

|                    | PRESENT YEAR | PRECEDING YEAR |
|--------------------|--------------|----------------|
| SEPTEMBER          | 19.05        | 21.4           |
| OCTOBER            | 24.49        | 16.4           |
| NOVEMBER           | 25. (EST.)   | 24.5           |
| YEAR DEC. TRU NOV. | 214.74       | 324.83         |

#### 9. COTTON CLOTH (MILLION SQUARE YARDS)

|                    | PRESENT YEAR | PRECEDING YEAR |
|--------------------|--------------|----------------|
| SEPTEMBER          | 34.8         | 43.39          |
| OCTOBER            | 60.79        | 29.44          |
| NOVEMBER           | 68.4         | 50.88          |
| YEAR DEC. TRU NOV. | 505.7        | 634.4          |

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